

MANITOBA FLOODWAY EXPANSION AUTHORITY



ANNUAL REPORT

MARCH 31, 2004

Canada

Manitoba 

Commemorative Limited Edition Print

GETTING READY

If there was one thing that was made clear in the aftermath of the flood of the century, it was that people working together can overcome the most extreme challenges of nature. For more than a month in the spring of 1997, the eyes of the world were turned to the Red River Valley. The relentless Red River, fed by the melting of record winter snowfall, slowly made its way north, leaving devastation and heartache in its wake. Volunteers, homeowners and army personnel from Grand Forks to Selkirk worked hand-in-hand to battle the inexorable river. This limited edition print, printed on the first anniversary of the 1997 Flood of the Century, is one of a collection of original watercolour paintings donated by artist Roman Swiderek to raise funds to assist the flood victims of the Red River Valley.

Getting Ready commemorates the spirit of the brave people who fought so hard to save their homes and communities. All proceeds from the sale of this limited edition print will go to the victims of Manitoba's Flood of the Century.

About the artist: Manitoba artist Roman Swiderek works with drawings, oils and watercolours. He is particularly well known for his Winnipeg cityscapes.

MANITOBA FLOODWAY EXPANSION AUTHORITY
ANNUAL REPORT
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ANNUAL REPORT**CEO'S Message**

During the 1997 "Flood of the Century", the Red River Floodway came within inches of breaching its capacity and threatening the social and economic development of the province. In the aftermath of the "Flood of the Century", the International Joint Commission (IJC) reviewed flood protection measures for the Red River Basin. Recognizing the economic and social impact of a major flood, the IJC recommended improvements be made to protect the City of Winnipeg and the surrounding areas. Subsequently, Canada and Manitoba entered into an agreement to undertake the Floodway Expansion project.

The Red River Floodway expansion project will increase flood security and improve the flood protection system of the City of Winnipeg and the surrounding area. The expanded floodway will protect residents against floods larger than the 1997 Flood of the Century and the flood of 1826 – the largest flood in Manitoba's recorded history. When completed, the floodway will be able to withstand a 1 in 700 year flood. Pending environmental approval, construction on the floodway project is scheduled to begin in the summer of 2005 and will be completed in 2009.

The Manitoba Floodway Expansion Authority (MFEA) was established by the Province of Manitoba in 2003 and charged with the expansion and management of the floodway expansion project. As part of its mandate, MFEA has commissioned an independent, environmental impact assessment of the project that will be completed before construction begins.

As part of the environmental impact assessment, MFEA has also undertaken an inclusive and comprehensive public consultation process with residents of the Red River Basin. In January, 2004, MFEA and its independent environmental consulting team launched its first round of public consultation which consisted of a number of public town hall meetings as well as meetings with local municipal government, special interest groups and grassroots organizations. Additional rounds of consultation will take place before construction begins.


Ernie Gilroy
Chief Executive Officer

AGENCY PROFILE

Mandate

The Manitoba Floodway Expansion Authority was incorporated on October 3, 2003 to be the agent for the Manitoba Government for purposes of the expansion and maintenance of the Red River Floodway. In particular, the authority's mandate is to:

- (a) Expand the capacity of the floodway;
- (b) Ensure that the expansion is carried out in a manner that provides increased benefits to the community;
- (c) Enhance the benefits the floodway will provide to the community;
- (d) Maintain the land and structures that make up the floodway; and
- (e) To work with the Water Branch in Manitoba Water Stewardship to coordinate the operation of the floodway during construction.

Role and Mission Statement

- To provide the maximum flood protection to the most people while respecting our neighbours and the environment.
- To provide excellence in project management by demonstrating sound financial management, achieving project guidelines, following an inclusive people management philosophy, encouraging innovation and maximizing economic benefits.

Vision Statement

A global leader in engineering and project management through people, innovation, integrity and quality.

Values

Trust, respect, ingenuity, integrity and participation are the core values that will guide corporate behaviour to achieve global leadership in engineering and project management.

OBJECTIVES

Long-term

- Protection of the City of Winnipeg from spring flood events.
- Completion of construction on time and within budget.
- Realization of the economic and recreational benefits that may accrue from the project.

Short-term

The Floodway Expansion Project

- Complete the pre-design for the project.
- Complete final design for the project.
- Establish an "Opportunity Report" to identify recreation and economic development opportunities resulting from floodway expansion.

Environmental Licensing

- File an Environmental Impact Statement for the Floodway expansion project.
- Participate in Clean Environment Commission (CEC) hearings.
- Obtain an environmental license under the Environment Act for the project.

Public Outreach and Consultation

- Undertake additional rounds of public consultations.
- Continue to meet with local governments, special interest groups and other interested parties on the floodway expansion project.
- Establish a web-site for the Authority.
- Establish a toll-free number for rural residents.
- Establish a question and answer public newsletter for distribution.

Funding

- Securing the balance of the funding is required to complete the floodway project from Canada and Manitoba.
- Begin discussions with the City of Winnipeg regarding the upgrade of the City of Winnipeg's flood protection infrastructure as part of the expansion project.

FLOODWAY EXPANSION PROJECT

Flood Protection

The focus of the Red River Floodway Expansion project is to increase flood protection for residents of the City of Winnipeg and the Red River Valley. The Red River Floodway diverts a portion of the Red River floodwaters around Winnipeg. Spring runoff flood events are controlled by increasing the volume of diverted waters.

The existing floodway currently provides a level of protection from floods with a 1 in 90 year probability of recurrence. By increasing the capacity of the existing floodway, an expanded floodway will provide a greater level of flood protection. When completed, the expanded Floodway will offer protection for a 1 in 700 year probability of occurrence.

History

Following the 1997 Red River "Flood of the Century", extensive studies and consultations were conducted to identify and evaluate alternatives to improve flood protection for the Winnipeg area. The International Joint Commission (IJC) reviewed flood protection and concluded that "the risk of failure of Winnipeg's existing flood protection infrastructure is high under flow conditions similar to or greater than those experienced in 1997." In the IJC's final report, *Living with the Red*, the IJC called for the highest flood protection that can be economically justified or at least sufficient protection to deal with an event similar to the 1826 flood.

Manitoba Floodway Expansion Authority

The Manitoba Floodway Expansion Authority (MFEA) was established by the Government of Manitoba in October, 2003 to manage the expansion of the existing Red River Floodway. Among its responsibilities, MFEA will be responsible for:

- Ongoing project pre-design and engineering to expand flood protection;
- Environmental assessment and licensing of the project; and
- Exploring potential recreational features along the floodway;

In March 2004, the province introduced The Floodway Authority Act to outline the responsibilities of MFEA, a separate, independent, publicly accountable agency to manage the expansion and maintenance the floodway. MFEA will own the floodway's physical assets, manage the design, construction and maintenance of the expansion and develop the economic possibilities that result from the project. The legislation was passed by the Manitoba Legislature and received Royal Assent on June 10, 2004.

Project Components

The existing Red River Floodway was constructed between 1962 and 1968 at the cost of \$63 million. It is 46 kilometres long (29 miles) and has a capacity of 60,000 cubic feet (1700 cubic metres) of water per second. An expanded floodway will almost double the water capacity of the current channel to 140,000 cubic feet (4,000 cubic metres) per second.

There are five main components of the Floodway expansion project:

- 1) **Floodway Channel Expansion:** Significant excavation will be required to deepen and widen the existing channel to handle larger floods than 1997;
- 2) **Inlet Control Structure:** Improvements will be made at the structure to improve operation and enhance safety features;
- 3) **Outlet Structure:** Improvements will be made to expand the capacity and enhance the design of the structure;
- 4) **Channel Crossings:** Modifications will be required for drainage systems, bridges and utilities that cross the floodway channel ; and
- 5) **West Dyke:** Extensions and enhancements will be made to the existing West Dyke system.

Design of the Floodway expansion project continues to be refined and will evolve and improve as input is received through the ongoing engineering studies, the EIA process and the Public Involvement Program.

Public Involvement Process

MFEA's public involvement process is designed to provide early and ongoing opportunities for citizens to receive information on and provide their views about potential project effects and the EIA process.

Before construction of the new floodway can proceed, the project requires preparation of an independent environmental impact assessment, a license under the provincial *Environmental Act* and federal environmental authorization. MFEA applied to the Government of Manitoba for an environmental license in the summer of 2003.

Under the provisions of the *Canada-Manitoba Agreement on Environmental Assessment Cooperation*, Manitoba and Canada have agreed that both governments will participate in a co-operative review of the proposed project, which will be led by Manitoba and address both provincial and federal regulatory requirements.

Public consultation is a critical element of the environmental assessment process for the proposed floodway expansion. There are four complimentary elements of this process. They are:

- **Independent Environmental Impact Assessment** – This separate, independent process is led by an environmental consulting team. It provides ongoing opportunities for citizens to receive information on, and provide their views about potential project effects, measures to mitigate those effects and other requirements associated with the project's environmental impact.

The first stage of this process started in January and was completed in mid-March. It featured meetings with 12 local municipal governments, four multi-stakeholder workshops and public open houses in Selkirk, Dugald, Ste. Agathe and Winnipeg.

Additional rounds of public consultations will be undertaken as the project proceeds.

- **Manitoba Legislature** – In March, Manitoba introduced the Red River Floodway Act and the Floodway Authority Act.

The *Floodway Authority Act* outlines the roles and responsibilities of the Manitoba Floodway Authority as an independent, publicly accountable provincial agency that will manage the expansion and maintenance of the floodway on behalf of Manitobans.

The *Red River Floodway Act* allows individuals, farms, businesses, non-profit organizations and local authorities that suffer property damage and economic loss from artificial spring flooding on the Red River to claim compensation.

Both pieces of legislation were passed by the Manitoba Legislature and received Royal Assent on June 10, 2004.

- **Manitoba Floodway Expansion Authority** – MFEA has a mandate to consult Manitobans regarding the various elements of the expansion project. In March, MFEA announced an additional round of consultation to focus on some particular project elements (**Round Two**).
- **Clean Environment Commission** - Once the EIS is reviewed and improved, it will be resubmitted to Manitoba. The Clean Environment Commission will then be able to begin additional public hearings.

Round Two Consultation

In March, MFEA announced plans for an extensive and inclusive public consultation process regarding the proposed Red River Floodway Expansion project. The Round Two consultation will focus on a number of key elements, including:

- **Round One Recap** - During the first round of public consultation led by the environmental assessment team, stakeholders raised a number of specific issues. In Round Two, MFEA recapped those issues and provided current status reports.

- **Red River Floodway Act** - The Act allows individuals, farms, businesses, non-profit organizations and local authorities that suffer property damage and economic loss from artificial spring flooding on the Red River to claim compensation. In Round Two, MFEA presented a summary of the Act and invited comments.
- **Water Levels** - Each flood has an associated water level that peaks at different locations along the Red River. The expanded floodway will feature double the current water-flow capacity and protect many more residents from water levels higher than 1997. In Round Two, MFEA will demonstrate the floodway's impact on water levels at various locations along the river.
- **Floodway Authority Act** - The Act outlines MFEA's roles and responsibilities as an independent, publicly accountable provincial agency that will manage the expansion and maintenance of the floodway on behalf of Manitobans. MFEA will become known as the Manitoba Floodway Authority. In Round Two, MFEA will present a summary of the legislation and invite feedback from the public.
- **Floodway Operation** - Specific operating rules govern the operation of the floodway. They were last updated after the 1997 flood. In Round Two, MFEA will describe the operating rules and invite comments from the public.
- **Recreation & Economic Opportunities** - As one of the largest capital projects in Manitoba history, the expansion of the Red River Floodway will create a variety of opportunities for municipalities, residents, community organizations and businesses. MFEA will invite residents and stakeholders to submit their ideas through a formal call for expressions of interest.
- **Mitigation** - MFEA has a mandate to help mitigate effects of the project - as required. One of the goals of the independent environmental impact assessment process is to identify project effects and propose options for mitigation. In the Round Two consultation, MFEA will present examples of these possible options.
- **Next Steps** - A report of Round Two findings will be released to the independent environmental assessment team, the public, Manitoba and Canada. The report will reflect the issues discussed, questions raised and identify next steps.

MFEA's Round Two consultation will include individual stakeholder meetings, presentations to 12 local governments, ongoing dialogue with provincial and federal officials and six public open houses.

MFEA will maintain an ongoing public involvement program at least to the end of the project's construction phase. This will include regular meetings with municipalities and stakeholders, youth outreach, direct communication, advertising, ongoing toll-free phone access for rural residents, access to project details through an expanded web site and regular newsletters.

ACCOMPLISHMENTS

Funding

- Secured \$240 million from Canada and Manitoba to support the Floodway Expansion project.
- Submitted claims to the federal government in the amount of \$2.2 million and received payment for full amount

Environmental Licensing

- Filed a preliminary project description for the Floodway Expansion project in July, 2003

The Floodway Expansion Project

- The Manitoba Floodway Expansion Authority incorporated as the Government of Manitoba's agent for the expansion and operation of the floodway protection system.
- Issued a Call for Expression of Interest regarding the recreation and economic development opportunities resulting from floodway expansion.
- Established a Floodway administrative office with necessary staff to manage the expansion project
- Received Royal Assent for the *Floodway Authority Act* on June 10, 2004

Public Outreach and Consultation

- Initiated an extensive and inclusive public involvement process
- Participated in a number of public open houses, stakeholder meetings and presentations to local communities;
- Initiated discussions on the development of a project labour agreement
- Established a toll-free rural access telephone line
- Developed an introductory public newsletter to promote public awareness
- Established a Manitoba Floodway Expansion Authority web-site

AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway Expansion Authority Inc.

We have audited the financial statements of the **Manitoba Floodway Expansion Authority Inc.** as at March 31, 2004 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
July 7, 2004.

Chartered Accountants

Manitoba Floodway Expansion Authority Inc.
Balance Sheet
As at March 31, 2004

2004

ASSETS

Current Assets

Accounts receivable - Government of Canada (Note 3) \$ 2,243,368

Capital Assets (Note 2, Schedule)

Land	\$ 6,975,528	
Floodway infrastructure	5,667,356	
Assets under construction	<u>2,993,297</u>	<u>15,636,181</u>

Total Assets \$ 17,879,549

LIABILITIES and EQUITY

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,516,397
Working capital advance (Note 4)	<u>726,970</u>
	2,243,367

Deferred Contributions related to Capital Assets (Note 5) 8,660,653
10,904,020

Contributed Equity related to Capital Assets (Note 6) 6,975,528

Share Capital

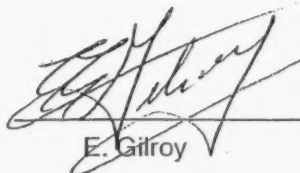
Authorized - unlimited number of Class A common shares, issued - 1share	<u>1</u>
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Total Liabilities and Equity \$ 17,879,549

Commitments (Note 7)

(see accompanying notes and schedule to the financial statements)

On behalf of the Board:


E. Gilroy


N. Brandon

Manitoba Floodway Expansion Authority Inc.
Statement of Operations
Year ended March 31, 2004

	2004
Revenue	
Province of Manitoba	\$ 139,621
Government of Canada	<u>137,626</u>
	<u>277,248</u>
Expenses	
Salaries and benefits	170,342
Other operating expenses	<u>106,906</u>
	<u>277,248</u>
Net Operating Results	<u><u>\$ -</u></u>

(see accompanying notes and schedule to the financial statements)

Manitoba Floodway Expansion Authority Inc.
Statement of Cash Flows
Year Ended March 31, 2004

	2004
Operating transactions	
Net operating results	\$ -
Net changes in non-cash working capital balances related to operations	
Accounts receivable - Government of Canada	(137,626)
Accounts payable and accrued liabilities	<u>142,717</u>
Cash provided by operating transactions	<u>5,091</u>
Financing transactions	
Working capital advance	<u>726,970</u>
Capital transactions	
Acquisition of capital assets	(4,248,615)
Accounts receivable - Government of Canada	(2,105,742)
Accounts payable and accrued liabilities	1,373,681
Federal contributions for capital purposes	2,105,742
Deferred provincial contributions related to capital assets	<u>2,142,873</u>
Cash applied to capital transactions	<u>(732,061)</u>
Increase in funds on deposit with Minister of Finance	-
Funds on deposit with Minister of Finance, beginning of year	<u>-</u>
Funds on deposit with Minister of Finance, end of year	<u><u>\$ -</u></u>

(see accompanying notes and schedule to the financial statements)

Manitoba Floodway Expansion Authority Inc.
Notes to the Financial Statements
For the Year ended March 31, 2004

Note 1 - Nature of Operations

The Manitoba Floodway Expansion Authority Inc. (the Authority) was incorporated with share capital under the Corporations Act with Articles of Incorporation dated October 3, 2003, and subsequently on March 3, 2004 the Board of Directors was approved by the Lieutenant Governor in Council. The Authority was created for government purposes to develop, coordinate and oversee implementation of plans for the Manitoba Floodway Expansion Project, and to develop, implement and operate related programs. These financial statements represent the Authority's first year of operation.

The Floodway Authority Act (Act) received Royal Assent on June 10, 2004 and is pending Proclamation. When proclaimed, the property and liabilities of the Manitoba Floodway Expansion Authority Inc. will become the property and liabilities of the Manitoba Floodway Authority, a Crown Corporation, and the Manitoba Floodway Expansion Authority will cease to exist.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets are recorded at cost and are amortized on a straight line basis according to their estimated useful life. The Authority has established capitalization limits of \$5,000 for furniture and equipment, including computer workstations.

Expenditures which are capitalized include direct construction costs, interest during construction and related overhead expenses. Capital assets constructed by the Authority are recorded as an Asset under Construction until the asset is placed in service.

The Authority provides for amortization of its capital assets on the following basis:

Floodway infrastructure	40 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease

Pension Plans

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability.

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Manitoba Floodway Expansion Authority Inc.
Notes to the Financial Statements
For the Year ended March 31, 2004

Note 2 - Significant Accounting Policies (continued)

Financial Instruments

Financial instruments include accounts receivable, accounts payable and accrued liabilities, and working capital advance. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Recording of Contributions

Contributions from the Government of Manitoba utilized for construction of the floodway assets are deferred and amortized to income on the same basis as the related capital assets. Contributions from the Government of Canada utilized to construct capital assets are deducted from the cost of the constructed asset.

Contributions from the governments of Manitoba and Canada utilized for operating expenses are recognized as income when received.

Note 3 - Government of Canada – Receivable

At year-end the Authority had shared-cost claims outstanding from the Government of Canada amounting to \$2,243,368 under a Canada-Manitoba Agreement for the expansion of the Manitoba Floodway, which was signed December 8, 2003. Under the agreement all eligible costs are shared 50-50 with Canada to a maximum federal share of \$120 million.

Note 4 - Working Capital Advance

The Manitoba Floodway Authority Inc. is included under The Provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council.

At March 31, 2004 the working capital advance consisted of an advance of \$1,400,000 bearing interest at a rate of 3.25% through Loan Act Authority, reduced by funds on deposit with the Minister of Finance of \$673,030.

Note 5 - Deferred Contributions related to Capital Assets

Deferred contributions represent the unamortized cost associated with the existing floodway infrastructure (excluding land) transferred on March 31, 2004 from the Province of Manitoba to the Authority. Deferred contributions will be recognized annually as revenue in the statement of operations in an amount equal to the annual amortization charges for the existing floodway.

Manitoba Floodway Expansion Authority Inc.
Notes to the Financial Statements
For the Year ended March 31, 2004

Note 6 - Contributed Equity related to Capital Assets

The Authority and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from the Province to the Authority of capital assets valued at \$13,493,308. as at March 31, 2004, for the purpose of carrying out the expansion of the Floodway. The Authority has recorded the unamortized provincially funded portion of the capital assets as deferred capital contributions, and the remainder of \$6,975,528, representing the value of land transferred to the Authority, as contributed equity.

Note 7 - Commitments

The Authority has entered into various contracts in the Project Development and Environmental Assessment (PDEA) stage of the Floodway expansion project. Contractual commitments relating to the PDEA stage of the project total approximately \$3,465,065 at March 31, 2004.

Commitments for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next five years are as follows:

2005	\$98,200
2006	99,700
2007	99,700
2008	99,700
2009	45,700

Note 8 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba and the Government of Canada.

Manitoba Floodway Expansion Authority Inc.
Schedule of Capital Assets
As at March 31, 2004

	<u>Cost</u>	<u>Federal Contributions</u>	<u>Cost net of Federal Contributions</u>	<u>Accumulated Amortization</u>	<u>2004 Net Book Value</u>
Land	\$ 6,975,528	\$ -	\$ 6,975,528	\$ -	\$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure -					
Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Expansion Authority -					
Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
	\$ 69,101,390	\$ 34,164,897	\$ 34,936,493	\$ 19,300,312	\$ 15,636,181